

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Bc. Vendula Bečvaříková
Advisor:	Mgr. Hana Džmuráňová
Title of the thesis:	Non-interest income management of banks in a global low interest rate environment

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

This master thesis discusses whether non-interest income of banks influences banks' performance in an adverse manner. Non-interest income of banks, i.e. fees, forms important part of banks' profitability, especially during low-rate environment. Logically, we would expect that banks dependent on non-interest income will be less stable in terms of profitability than banks where non-interest income forms only a part of total profitability. This is because non-interest income may be relatively volatile, due to competition and product structure, while changes in interest income tend to be smoothed due to fixed loan products.

This thesis also focuses on fees from embedded prepayment option. This is highly relevant topic under new legislation that largely limits banks' possibilities to charge those fees. Author finds out that probability of prepayment increases during low rates on an example of Slovakia. This makes sense economically. What would also be interesting would be to see how new legislation would impact bank fee income from prepayments. This might be a topic for further research.

Regarding fee income and banks' stability, the thesis does not find evidence that dependence on fee income would mean less stable performance, which is surprising. Finally, thesis shows that volatility of fee income is not dependent on recent crisis, which is interesting finding as well.

Concerning methodology, I find it fully relevant for analysed topic. Author provides all necessary tests and includes relevant explanatory variables into the model.

The only drawback of this thesis are charts and tables. Author might have pay more attention to fine tuning of those. I would definitely suggest not to use coloured tables.

All things considered, I propose grade 1 for this thesis due to its up to date empirical analysis and relevant usage of analytical tools. This thesis contributes to analysis of banks' profitability, which is an important factor for stability of the banking sector.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	30
<i>Contribution</i> (max. 30 points)	30
<i>Manuscript Form</i> (max. 20 points)	10
TOTAL POINTS (max. 100 points)	90
GRADE (1 – 2 – 3 – 4)	1

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NAME OF THE REFEREE: Hana Džmuráňová

DATE OF EVALUATION: 15.6.2016



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě